



Statewide Term Contract 946C – Supplemental Internal Auditing Services

Bid Number	201900231
Contract Name	Supplemental Internal Auditing Services
Effective Dates	September 9, 2019 through September 8, 2022, with the option to renew for two (2) additional one-year periods
Awarded Vendors and Contacts	<ul style="list-style-type: none">• Baker Tilly Virchow Krause, LLP Jodi Dobson, CPA (608) 240-2469 jodi.dobson@bakertilly.com• Cherry Bekaert, LLP Scott M. McKay, CPA (919) 782-1040 smckay@cbh.com• Cobb, Ezekiel, Loy & Company, P.A. Becky Loy, CPA (336) 532-8730 becky@cel-cpa.com• Experis Finance Timothy Lietz (919) 838-7859 timothy.lietz@experis.com• RSM US, LLP Clara Ewing (321) 751-6239 clara.ewing@rsmus.com
Contract Covers	<p>Audits are performed to ascertain the validity and reliability of information, to provide an assessment of a system's internal controls or operations, to recommend improvements in efficiency and effectiveness of operations, and/or adherence to laws and regulations. The goal of an audit is to express an opinion of the person, organization, system, etc. under evaluation based on work completed. This contract offers a total of seven auditing categories, as defined below.</p> <p>1. Operational/Performance Audit</p> <p>Awarded Vendors: Baker Tilly Virchow Krause, LLP; Cherry Bekaert, LLP; Experis Finance; RSM US, LLP</p> <p>Provides a systematic and independent evaluation of organizational activities. Financial data may be used, but the primary sources of evidence are the operational policies and achievements related to organizational objectives. Internal controls and efficiencies may be evaluated during this type of review.</p> <p>An operational audit tests an agency's internal systems and procedures for efficiency and effectiveness. These audits test operations for efficiency and effectiveness. Operational audits are usually a deeper review of an agency's operations than a financial audit, which is conducted in an after-the-fact audit process. Benefits from operational audits include objective opinions, improved workflow or cost allocation processes and quicker turnaround times.</p>

An operational audit usually uncovers inefficient use of resources or wasted capital. Administrative departments may also be reviewed during the operational audit process. Administrative business processes may increase costs by employing too many individuals or having an improper workflow. Slow internal business processes can delay critical operations. Auditors often test cost allocation processes during operational audits to determine the strengths and weaknesses of this system.

2. Investigative Audit

Awarded Vendors: Baker Tilly Virchow Krause, LLP; Cherry Bekaert, LLP; Experis Finance; RSM US, LLP

An audit that takes place as a result of an allegation of unusual or suspicious activity on the part of an individual or agency. It is usually focused on specific aspects of the work of the individual or agency.

In an investigative audit, allegations must be investigated, and evidence must be gathered pertaining to complaints, allegations, and tips of suspected fraud. Data must be sorted, analyzed, and compared to support the opinion that an allegation is substantiated or unsubstantiated.

Some specialization in forensic analytics, which is the analysis of electronic data to reconstruct, detect, or otherwise support a claim of fraud, may be required. The main steps in forensic analytics are (a) data collection, (b) data preparation, (c) data analysis, and (d) reporting. For example, forensic analytics may be used to review an employee's purchasing card activity to assess whether any of the purchases were diverted for personal use. Forensic analytics might be used to review the invoicing activity for a vendor to identify fictitious vendors.

3. Compliance Audit

Awarded Vendors: Baker Tilly Virchow Krause, LLP; Cherry Bekaert, LLP; Cobb, Ezekiel, Loy & Company, PA; Experis Finance; RSM US, LLP

Provides a comprehensive review of specific activities to determine whether performance conforms to predetermined contractual, regulatory, or statutory requirements. It may also include adherence to internal policies and procedures prescribed by the agency. Compliance audits may include examination of the agency's vendors to ensure conformance with contract agreements or an agency's sub-recipients to ensure adherence to grant requirements.

4. Information Systems and/or Information Technology Audit

Awarded Vendors: Baker Tilly Virchow Krause, LLP; Cherry Bekaert, LLP; Experis Finance; RSM US, LLP

Provides an examination of the management controls within an information technology infrastructure. The evaluation of obtained

evidence determines whether the information systems are safeguarding assets, maintaining data integrity, and operating effectively to achieve the organization's goals or objectives.

Note: Audits limited to an assessment of network vulnerabilities are not within the scope of this RFP (see GS 143B-1341 in SL 2015-241, requiring agencies to get state CIO approval).

- **General Controls Review**

A review of the controls which govern the development, operation, maintenance, and security of application systems in a particular environment. This type of audit might involve reviewing a data center, an operating system, a security software tool, processes and procedures (such as the procedure for controlling production program changes), etc.

- **Systems and Applications**

An audit to verify that systems and applications are appropriate, efficient, and adequately controlled to ensure valid, reliable, timely, and secure input, processing, and output at all levels of a system's activity. This would involve an examination of the controls over the input, processing, and output of system data. Data communications issues, program and data security, system change control, and data quality issues are also considered.

- **System Development**

An audit to verify that systems under development meet the objectives of the organization and to ensure that the systems are developed in accordance with generally accepted standards for systems development and state information technology requirements. This involves an evaluation of the development process as well as the product. Consideration is also given to the general controls over a new application, particularly if a new operating environment or technical platform will be used.

- **Client/Server, Telecommunications, Intranets, and Extranets**

An audit to verify that telecommunication controls are in place on the client (computer receiving services), server, and on the network connecting the clients and servers.

5. Construction Audit

Awarded Vendors: Baker Tilly Virchow Krause, LLP; Cherry Bekaert, LLP; Experis Finance; RSM US, LLP

The scope and objective of construction audits vary considerably by entity and situation. Components of a construction audit may include, but are not limited to:

- Determine that billings and payments are in accordance with contract documents
- Identify potential cost exceptions, overcharges or duplicated payments
- Assess the cost related to labor, materials, rental equipment, miscellaneous expenses, subcontractor cost and charges related to general conditions
- Determine if change orders are appropriate and priced based on contract standards
- Identify opportunities for cost avoidance
- Provide information that will result in cost recoveries
- Identify potential control deficiencies and exposure to overcharges on future contracts (e.g., opportunities for improving methods and procedures as they relate to contract terms, bidding and selection procedures, job site inspection and monitoring procedures, billing review procedures, and controls over change orders and pricing)

6. Risk Assessment and Audit Plan Development

Awarded Vendors: Baker Tilly Virchow Krause, LLP; Cherry Bekaert, LLP; Experis Finance; RSM US, LLP

The scope and objective of this assessment is to allocate limited internal audit resources to areas of the organization that are most critical to the success of the organization in reaching its goals. A well-developed risk assessment model will provide an efficient and systematic procedure to determine the auditable areas of an entity, measure the risk of each unit and identify activities exposed to high risk, rank the units by risk, determine the time necessary to complete audits, distribute available resources in the most efficient manner, and develop annual and/or long-term audit plans.

7. Financial Audit

Awarded Vendors: Baker Tilly Virchow Krause, LLP; Cherry Bekaert, LLP; Cobb, Ezekiel, Loy & Company, PA; Experis Finance; RSM US, LLP

Includes the verification of the financial statements, or a component of the financial, of a legal entity with a view to express an audit opinion. The audit opinion is intended to provide reasonable assurance that the financial statements are presented fairly, in all material respects, and/or give a true and fair view in accordance with the financial reporting

	<p>framework. The purpose of an audit is to enhance the degree of confidence of intended users in the financial statements.</p> <ul style="list-style-type: none"> Financial audits exist to add credibility to the implied assertion by an organization's management that its financial statements fairly represent the organization's position and performance to the firm's stakeholders. The audit is designed to increase the possibility that a material misstatement is detected by audit procedures. A misstatement is defined as false or missing information, whether caused by fraud (including deliberate misstatement) or error. Other types of financial audits entail various scopes of work, including: (a) obtaining sufficient, appropriate evidence to form an opinion on single financial statements, specified elements, accounts, or items of a financial statement; (b) issuing letters for underwriters and certain other requesting parties; and (c) auditing compliance with applicable compliance requirements relating to one or more government programs. This type of audit must be performed in accordance with generally accepted auditing standards and requires verification and substantiation procedures. These procedures may include direct correspondence with creditors or debtors to verify details of amounts owed, physical inspection of inventories or investment securities, inspection of minutes and contracts, and other similar steps. The audit requires gaining an understanding of the entity's system of internal controls.
Convenience Contract	<p>This Statewide Term Contract is a convenience contract to provide short-term internal audit staffing services for state departments, most state agencies and state higher education institutions (except under the conditions specified in G.S. §115D-58.14(a) and G.S. §116-13). The contract may also be utilized, without further competition, by non-mandatory state agencies and other eligible entities.</p>
Agency Responsibilities	<p>Agencies using this contract shall complete the Scope Statement form and submit the form to each qualified vendor in the requested category. The process is outlined as follows:</p> <ul style="list-style-type: none"> The agency identifies the auditing needs and prepares a scope statement that describes the requirements for audit services, including location and travel. The agency should work with their agency's purchasing office to develop and issue the scope statement to the qualified vendors identified in the Statewide Term Contract under the desired category. Requests shall be submitted via email giving the vendors a minimum of 10 days to respond.

- The vendors, if they choose to respond, will prepare a response to the solicitation document and submit it to the using agency in the format structure required by the agency, as described in the scope statement document. A vendor is not required to respond to all scope statements.
- After evaluating the vendors' responses, the agency then prepares the award recommendation and makes the award. The agency must clearly document its internal business selection process. The documentation must include a written description of the selection process that describes how the vendor was selected, the number of alternative vendors considered, or the specific business reasons or criteria as to why the vendor was selected.
- The using agency will issue the scope statement award and notify the awarded vendor. The using agency must encumber the funds in accordance with its agency's policies and procedures. The using agency must notify the Office of State Budget and Management and the Division of Purchase & Contract of the award by submitting Part I of the [Vendor Performance Evaluation Report](#), and to ensure quality of vendor's work, Part II of the [Vendor Performance Evaluation Report](#) must be submitted quarterly.
- The using agency will manage all public record requests involved in the purchasing process in accordance with this contract and the agency's retention policy.

For guidance and advice about this contract regarding supplemental staffing issues and concerns that pertain to their agency's audit staffing needs, agencies are welcome to contact Barbara Baldwin, Office of State Budget and Management at (919) 807-4721 or Barbara.Baldwin@osbm.nc.gov.

Contract Items and Pricing

The audit service category approved for each vendor is shown in the [Vendor Pricing Schedule](#). The pricing table lists each vendor's **hourly rates** in the form of a base rate and upper rate for an auditor, as well as the hourly rate for an audit supervisor and audit executive and shall not be exceeded in any offer. Travel and related business expenses are not included in the hourly rates.

- Auditor
Base Rate: The rate that the vendor will provide an auditor that meets the minimum qualifications. Base rates quoted as a result of the RFP proposal do not preclude any vendor from offering a rate lower than the established base rate in response to an agency's scope statement request for services.

Upper Rate: The maximum rate that the vendor will provide an auditor with expert qualifications that demonstrate success. Upper rates as quoted in this RFP will preclude any vendor from offering a rate for an auditor higher than the established upper rate in response to a soliciting agency's request for services.

	<ul style="list-style-type: none"> • Audit Supervisor The audit supervisor may be responsible for planning and conducting the audit, directing a team of highly skilled and/or lower level auditors, and assuring the audit engagement is completed timely. Vendors should provide an hourly rate for staff with these skill sets. • Audit Executive The audit executive has the overall responsibilities to ensure compliance with standards, staff is competent and adequately trained, and audit clients are satisfied with completed work.
Travel Charges	The state will not pay travel costs to and from the designated workplace for Vendor's personnel. In the event that Vendor personnel are required by the state to travel away from the regularly assigned work location to perform related tasks, the state will, upon preapproval, reimburse the Vendor in accordance with the North Carolina state travel guidelines in Chapter 5 of the North Carolina Budget Manual, which can be found at: https://www.osbm.nc.gov/state-budget-manual .
Taxes	Prices do not include North Carolina sales or use tax.
Loaded into E-Procurement	No. Items in this contract are not currently listed in the E-Procurement catalog.
E-Procurement Help Desk	(888) 211-7440
Contract Administrator	Steve Hussey – (919) 807-4540
Contract Addenda	#1 01/09/2020 – Changed Contract Administrator to Steve Hussey